

SHACK NEIGHBORHOOD HOUSE, INC.  
AUDITED FINANCIAL STATEMENTS  
DECEMBER 31, 2015 AND 2014

DHHR - Finance

OCT 3 2016

Date Received

H. A. Ruckle, CPA  
3803 Swallowtail Drive  
Morgantown, WV 26508

SHACK NEIGHBORHOOD HOUSE, INC.

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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
**Shack Neighborhood House, Inc.**  
Pursglove, WV 26546

I have audited the accompanying financial statements of **Shack Neighborhood House, Inc.** (a West Virginia not-for-profit organization) which comprise the statements of assets, liabilities, and net assets – modified cash basis as of December 31, 2015 and 2014, and the related statements of support, revenue, expenses, and changes in net assets – modified cash bases, and functional expenses – modified cash basis for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting as described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and net assets of **Shack Neighborhood House, Inc.** as of December 31, 2015 and 2014, and its support, revenue, and expenses for the year then ended in accordance with modified cash basis of accounting as described in Note 2.

### **Basis of Accounting**

I draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to that matter.

### **Other Matters**

My audit was conducted for the purpose of forming an opinion on the financial statements of **Shack Neighborhood House, Inc.** as a whole. The accompanying schedules of West Virginia state grant receipts and expenditures on pages 18 - 19 is presented for purposes of additional analysis, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated August 25, 2016, on my consideration of **Shack Neighborhood House, Inc.'s** internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Shack Neighborhood House, Inc.'s** internal control over financial reporting and compliance.

 HARUK CPA

August 25, 2016

DHHR - Finance

OCT 3 2016

Date Received

**SHACK NEIGHBORHOOD HOUSE, INC.**  
**STATEMENTS OF ASSETS, LIABILITIES, AND NET ASSETS -**  
**MODIFIED CASH BASIS**

At December 31, 2015 and 2014

**ASSETS**

	<b>2015</b>	<b>2014</b>
<b>Current assets</b>		
Cash and cash equivalents	\$ 122,983	\$ 95,060
Certificates of deposit	133,791	131,392
<b>Total current assets</b>	256,774	226,452
<b>Other assets</b>		
Certificate of deposit	27,500	27,500
<b>Total assets</b>	284,274	253,952

**LIABILITIES AND NET ASSETS**

<b>Current liabilities</b>		
Withholdings and accrued payroll taxes	3,444	2,923
<b>Net assets</b>		
Unrestricted	219,551	171,293
Board restricted	6,291	6,291
<b>Total unrestricted net assets</b>	225,842	177,584
Temporarily restricted	27,488	45,945
Permanently restricted	27,500	27,500
<b>Total net assets</b>	280,830	251,029
<b>Total liabilities and net assets</b>	\$ 284,274	\$ 253,952

**SHACK NEIGHBORHOOD HOUSE, INC.**  
**STATEMENT OF SUPPORT, REVENUE, EXPENSES, AND**  
**CHANGES IN NET ASSETS - MODIFIED CASH BASIS**

Year Ended December 31, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and revenue</b>				
<b>Support</b>				
WVDHHR - Family Resource Center	\$ 115,061	\$ -	\$ -	\$ 115,061
Donations - public and corporations	124,820	-	-	124,820
WVDHHR - MIHOW grants	67,202	-	-	67,202
United Way grants and allocations	56,450	-	-	56,450
Foundations, trusts, and other grants	40,000	-	-	40,000
WVDOE - Summer Nutrition support	24,413	-	-	24,413
WVDHHR - Child Care support	21,587	-	-	21,587
WV Presbytery funding	19,688	-	-	19,688
Monongalia County Commission	15,549	-	-	15,549
In-kind contribution (rent)	12,000	-	-	12,000
Special events (less \$6,397 expense)	11,736	-	-	11,736
WVDOE - Child Care Food Program	10,344	-	-	10,344
	<u>518,850</u>	<u>-</u>	<u>-</u>	<u>518,850</u>
<b>Revenue</b>				
Festival of Fun	46,868	-	-	46,868
Facilities usage	23,751	-	-	23,751
Before and after school care	13,965	-	-	13,965
Work and youth camps	8,450	-	-	8,450
Other income	6,434	-	-	6,434
Concessions (less \$6,519 expense)	2,581	-	-	2,581
Interest income	2,295	148	-	2,443
Public swimming and skating	2,000	-	-	2,000
	<u>106,344</u>	<u>148</u>	<u>-</u>	<u>106,492</u>
Net assets released from restrictions	18,605	(18,605)	-	-
<b>Total support and revenue</b>	<u>643,799</u>	<u>(18,457)</u>	<u>-</u>	<u>625,342</u>
<b>Expenses (see statement)</b>				
Program services	473,964	-	-	473,964
Supporting activities:				
Management and general	115,642	-	-	115,642
Fundraising	5,935	-	-	5,935
<b>Total expenses</b>	<u>595,541</u>	<u>-</u>	<u>-</u>	<u>595,541</u>
<b>Change in net assets</b>	48,258	(18,457)	-	29,801
<b>Net assets - beginning of year</b>	<u>177,584</u>	<u>45,945</u>	<u>27,500</u>	<u>251,029</u>
<b>Net assets - end of year</b>	<u>\$ 225,842</u>	<u>\$ 27,488</u>	<u>\$ 27,500</u>	<u>\$ 280,830</u>

The accompanying notes are an integral part of these financial statements.

**SHACK NEIGHBORHOOD HOUSE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES -**  
**MODIFIED CASH BASIS**

Year Ended December 31, 2015

	Program Expenses	Management and General	Fundraising	Total
<b>Expenses</b>				
Salaries and wages	\$ 245,755	\$ 64,815	\$ 4,810	\$ 315,380
Employee benefits	39,898	10,101	505	50,504
Youth programs and work camp	36,072	-	-	36,072
Contracted services	28,314	7,079	-	35,393
Payroll taxes and related expenses	21,492	5,441	272	27,205
Utilities	21,100	5,275	-	26,375
Supplies - food and nutrition supplies	24,647	-	-	24,647
Pool repairs and maintenance	12,596	3,149	-	15,745
In-kind rent	9,600	2,400	-	12,000
Building repairs and maintenance	7,202	1,800	-	9,002
Supplies - before and after school	8,591	-	-	8,591
Insurance	5,842	1,461	-	7,303
Office supplies and expense	1,380	5,520	-	6,900
Vehicle maintenance and operation	4,118	1,029	-	5,147
Professional fees	-	3,500	-	3,500
Telephone and internet	1,741	1,392	348	3,481
Supplies - building	2,325	581	-	2,906
Training and education	987	1,520	-	2,507
Rent	1,700	425	-	2,125
Licenses, memberships, and fees	331	82	-	413
Community program expense	273	-	-	273
Miscellaneous expenses	-	72	-	72
	<u>\$ 473,964</u>	<u>\$ 115,642</u>	<u>\$ 5,935</u>	<u>\$ 595,541</u>



**SHACK NEIGHBORHOOD HOUSE, INC.**  
**STATEMENT OF SUPPORT, REVENUE, EXPENSES, AND**  
**CHANGES IN NET ASSETS - MODIFIED CASH BASIS**

Year Ended December 31, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and revenue</b>				
<b>Support</b>				
WVDHHR - Family Resource Center	\$ 99,339	\$ -	\$ -	\$ 99,339
WVDHHR - MIHOW grants	71,829	1,635	-	73,464
Donations - public and corporations	65,244	-	-	65,244
United Way grants and allocations	54,400	-	-	54,400
Foundations, trusts, and other grants	32,214	9,186	-	41,400
WVDOE - Summer Nutrition support	26,731	-	-	26,731
WVDHHR - Child Care support	23,041	-	-	23,041
Monongalia County Commission	16,769	-	-	16,769
WV Presbytery funding	16,187	-	-	16,187
In-kind contribution (rent)	12,000	-	-	12,000
Special events (less \$7,272 expense)	9,772	-	-	9,772
WVDOE - Child Care Food Program	5,870	-	-	5,870
	<u>433,396</u>	<u>10,821</u>	<u>-</u>	<u>444,217</u>
<b>Revenue</b>				
Festival of Fun	52,155	-	-	52,155
Facilities usage	22,588	-	-	22,588
Before and after school care	13,819	-	-	13,819
Other income	5,780	-	-	5,780
Work and youth camps	3,542	-	-	3,542
Concessions (less \$7,744 expense)	3,075	-	-	3,075
Interest income	2,293	148	-	2,441
Public swimming and skating	1,970	-	-	1,970
	<u>105,222</u>	<u>148</u>	<u>-</u>	<u>105,370</u>
Net assets released from restrictions	18,825	(18,825)	-	-
<b>Total support and revenue</b>	<u>557,443</u>	<u>(7,856)</u>	<u>-</u>	<u>549,587</u>
<b>Expenses (see statement)</b>				
Program services	436,834	-	-	436,834
Supporting activities:				
Management and general	103,763	-	-	103,763
Fundraising	6,761	-	-	6,761
<b>Total expenses</b>	<u>547,358</u>	<u>-</u>	<u>-</u>	<u>547,358</u>
<b>Change in net assets</b>	10,085	(7,856)	-	2,229
<b>Net assets - beginning of year</b>	<u>167,499</u>	<u>53,801</u>	<u>27,500</u>	<u>248,800</u>
<b>Net assets - end of year</b>	<u>\$ 177,584</u>	<u>\$ 45,945</u>	<u>\$ 27,500</u>	<u>\$ 251,029</u>

The accompanying notes are an integral part of these financial statements.



**SHACK NEIGHBORHOOD HOUSE, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES -**  
**MODIFIED CASH BASIS**

Year Ended December 31, 2014

	Program Expenses	Management and General	Fundraising	Total
<b>Expenses</b>				
Salaries and wages	\$ 226,901	\$ 56,527	\$ 5,093	\$ 288,521
Employee benefits	34,287	8,246	868	43,401
Youth programs and work camp	37,681	-	-	37,681
Contracted services	21,224	5,306	-	26,530
Payroll taxes and related expenses	20,495	4,929	519	25,943
Supplies - food and nutrition supplies	20,439	-	-	20,439
Pool repairs and maintenance	13,621	3,405	-	17,026
Utilities	13,193	3,298	-	16,491
Building repairs and maintenance	9,876	2,469	-	12,345
In-kind rent	9,600	2,400	-	12,000
Supplies - before and after school	7,413	-	-	7,413
Office supplies and expense	1,450	5,800	-	7,250
Insurance	5,128	1,282	-	6,410
Licenses, memberships, and fees	4,409	1,102	-	5,511
Supplies - building	4,007	1,002	-	5,009
Training and education	1,629	2,510	-	4,139
Professional fees	-	3,500	-	3,500
Vehicle maintenance and operation	2,526	632	-	3,158
Telephone and internet	1,405	1,124	281	2,810
Community program expense	954	-	-	954
Rent	596	149	-	745
Miscellaneous expenses	-	82	-	82
	<u>\$ 436,834</u>	<u>\$ 103,763</u>	<u>\$ 6,761</u>	<u>\$ 547,358</u>

**SHACK NEIGHBORHOOD HOUSE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

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December 31, 2015 and 2014

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**1. Organization and Nature of Business**

**Shack Neighborhood House, Inc.** (Organization), a not-for-profit organization, was incorporated in West Virginia on April 27, 1983 and is registered as a West Virginia charitable organization. It was created by, and receives significant funding through, the governing bodies of the Presbyterian Church (U.S.A.).

The Shack Neighborhood House provides an inclusive, safe, and fun environment for learning and recreation. Programs strengthen families by nurturing children, youth, and community members of all ages in Monongalia County, WV and the surrounding areas. Through the initiatives of its Board of Directors, staff, and volunteers, the Organization fosters personal growth and self-confidence, and promotes social responsibility. The Organization receives support and revenue through a wide variety of sources, including grants, reimbursement contracts, program service fees, as well as direct and indirect public donations.

**2. Summary of Significant Accounting Policies**

***Basis of Accounting***

The accompanying financial statements have been prepared on the modified cash basis method of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. Under this method, with the exception of payroll withholdings and related employer payroll taxes due, revenues are recognized when received rather than earned, and expenses and purchases of assets are recognized when cash is disbursed rather than when the obligation is incurred. These statements do not reflect transactions that would be included in the financial statements of the Organization if presented on the accrual basis of accounting, as contemplated by generally accepted accounting principles. Additionally, the Organization recognizes certain non-cash in-kind donations (see Note 6).

***Basis of Presentation***

The Organization's financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) Codification Section 958.205 *Not-for-Profit Entities Presentation of Financial Statements* (ASC 958.205). Under ASC 958.205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets based on the existence or absence of donor restrictions. The Organization's net assets and changes therein are classified and reported as follows:

*Unrestricted net assets:* represent resources whose use is not limited or restricted by donors.

*Board restricted net assets:* represent net assets not limited or restricted by donors, but restricted by the board for the purpose of assuring long-term stability and sustainability, while allowing for planning and implementation of longer term initiatives.

*Temporarily restricted net assets:* represent resources whose use is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled or otherwise removed by the organization's actions.

**SHACK NEIGHBORHOOD HOUSE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

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December 31, 2015 and 2014

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**2. Summary of Significant Accounting Policies (continued)**

***Basis of Presentation (continued)***

*Permanently restricted net assets:* represent resources whose use is limited by donor-imposed stipulations that neither expire or can be fulfilled or otherwise removed by the organization's actions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restrictions expire in the same reporting period in which the support is received. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of support, revenue, expenses and changes in net assets – modified cash basis as net assets released from restrictions.

***Property and Equipment***

All purchases of property and equipment are recorded as expenses in the period cash is disbursed; consequently, no depreciation is provided for in these financial statements.

***Cash and Cash Equivalents***

Cash and cash equivalents consist of cash in checking and savings accounts. The Organization considers all highly liquid investments with a remaining maturity date of three months or less at the time of purchase to be cash equivalents. Cash equivalents are carried at cost, which approximates fair value.

***Certificates of Deposit***

Certificates of deposit are reported in the accompanying statement of financial position at fair value. Changes in fair value that occur during a fiscal year are recognized as investment income reported for that fiscal year. Investment income includes interest earnings, changes in fair value, and any gains or losses realized upon liquidation or maturity.

***Estimates***

The preparation of financial statements requires management to make estimates and assumptions that affect reported amounts and disclosures at the date of the financial statements. Such estimates may also affect the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results may differ from these estimates.

***Reclassifications***

Certain comparative amounts have been reclassified to conform to the current year's financial statement presentation.

SHACK NEIGHBORHOOD HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

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December 31, 2015 and 2014

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3. Summary of Significant Accounting Policies (continued)

*Basis of Presentation (continued)*

*Income Taxes*

For Federal tax purposes the Organization is an exempt organization under Section 501(c)(3) of the Internal Revenue Code, and was determined not to be a private foundation by the Internal Revenue Service; however, the Organization remains subject to tax on any business income unrelated to its tax-exempt purpose.

The Organization follows FASB Codification Section 740 *Accounting for Uncertainty in Income Taxes* (ASC 740). This guidance provides a recognition threshold and measurement process for uncertain tax positions, including any estimated penalties and interest associated with those uncertain tax positions. For years ended December 31, 2015 and 2014, there were no uncertain tax positions requiring accrual.

The Organization's Form 990, *Return of Organization Exempt from Income Tax* for the prior three (3) years ending are open to audit by the Internal Revenue Service.

*Donated Services*

Donated services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. For the years ending December 31, 2015 and 2014 no services were received that met the criteria for recognition as donated services.

4. Concentration of Risk

Financial instruments that potentially subject the Organization to concentration of credit risk consist principally of cash and cash equivalents, and certificates of deposit. The Organization maintains its cash and cash equivalents and certificates of deposit in financial institutions located in West Virginia. The balances are insured by the Federal Deposit Insurance Corporation up to \$250,000. The Organization's cash and cash equivalent balances at various times throughout the year may be in excess of amounts insured.

The Organization receives a significant amount of support through direct and indirect public donations. Indirect public donations include United Way allocations, and amounts received from various Presbyteries mainly located within West Virginia. A loss or substantial reduction in this funding may have a significant impact on the Organization.

**SHACK NEIGHBORHOOD HOUSE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

December 31, 2015 and 2014

**5. Permanently Restricted Net Assets**

In 1987, the Council of Grafton Presbytery provided \$27,500, and stipulated that this amount be permanently restricted for a maintenance endowment. Income earned on the permanently restricted maintenance endowment is available to the Organization, however, the use of such income is restricted for facilities maintenance; accordingly, the income earned during the years ended December 31, 2015 and 2014 is reported as an increase in temporarily restricted net assets on the statement of support, revenue, expenses and changes in net assets – modified cash basis. At December 31, 2015 and 2014, the permanently restricted maintenance endowment and income earned thereon totaled approximately \$29,772 and \$29,624, respectively. This endowment is maintained in a certificate of deposit bearing an interest rate of 1.25%, maturing on October 31, 2017. The permanently restricted portion of this certificate of deposit is not included as part of current assets.

In 2008, West Virginia enacted a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the provisions of which apply to endowment funds existing on or established after the date of enactment. The Organization has interpreted UPMIFA as requiring the preservation of the fair value of the original gift as of the gift date absent explicit donor stipulations to the contrary. As a result of the Organization's interpretation of UPMIFA, the Organization classifies as permanently restricted net assets the original value of the gift donated to the maintenance endowment fund. The remaining portion of the endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for its intended use by the Organization.

The composition and reconciliation of the Organization's endowment by net asset class for the year ended December 31, 2015 and 2014 is as follows:

	2015		
	Permanently restricted	Temporarily restricted	Total
Endowments at December 31, 2014	\$ 27,500	\$ 2,124	\$ 29,624
2015 endowment activity:			
Interest	-	148	148
Amount appropriated for expenditure	-	-	-
Endowments at December 31, 2015	\$ 27,500	\$ 2,272	\$ 29,772
	2014		
	Permanently restricted	Temporarily restricted	Total
Endowments at December 31, 2013	\$ 27,500	\$ 1,976	\$ 29,476
2014 endowment activity:			
Interest	-	148	148
Amount appropriated for expenditure	-	-	-
Endowments at December 31, 2014	\$ 27,500	\$ 2,124	\$ 29,624

SHACK NEIGHBORHOOD HOUSE, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2015 and 2014

**6. In-kind Contribution**

The Organization is provided free use of its building and facilities through the generosity of the Presbytery of West Virginia. The estimated fair value of this contribution was \$12,000 for the years ended December 31, 2015 and 2014.

**7. Restricted Use Grant**

In 2010, the Organization received a grant from the West Virginia Department of Health and Human Resources (WVDHHR) to purchase two (2) multi-function school activity buses (Buses) that conform to the standards established by the National Highway Traffic Safety Administration to transport children. As a condition of the funding, the Organization agreed to arrange for transfer of the vehicle to another center providing transportation in the event the Organization stops transporting children, is no longer licensed as a Child Care Center under CSR 78-1 or CSR 78-21, or the Organization child care center closes within ten (10) years of obtaining the vehicle.

The Organization considers the above noted transfer restricted support. The grant funds to acquire the Buses were recorded as revenue in the year received in accordance with the Organization's modified cash basis of accounting, and classified as an increase in temporarily restricted net assets. As restrictions expire (that is, when stipulated time restrictions end and purpose restrictions are accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of support, revenue, expenses and changes in net assets – modified cash basis as net assets released from restrictions.

In an effort to appropriately report the remaining value of the temporarily restricted net assets related to these Buses, the Organization reclassifies to unrestricted net assets a portion of the related temporarily restricted net assets in proportion to the elapsed restricted period of use.

**8. Temporarily Restricted Net Assets**

Temporarily restricted net assets consist of the following at December 31, 2015 and 2014:

	2015	2014
Purpose restriction		
Multi-function Buses	\$ 25,216	\$ 33,000
Endowment interest income	2,272	2,124
Health and Wellness Foundation	-	6,284
Farm to School grant	-	2,902
In-Home Program grant	-	1,635
	<u>\$ 27,488</u>	<u>\$ 45,945</u>



**SHACK NEIGHBORHOOD HOUSE, INC.**

**NOTES TO FINANCIAL STATEMENTS**

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December 31, 2015 and 2014

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**9. Pension**

The Organization participates in The Benefits Plan of the Presbyterian Church (Benefits Plan) established by the Presbyterian Church (U.S.A.) and administered by the Board of Pensions of the Presbyterian Church (U.S.A.). The Benefits Plan covers eligible employees of the Organization and includes a pension plan, medical plan, death and disability plan, and optional dental plan. For the years ended December 31, 2015 and 2014, pension expense paid by the Organization totaled \$11,868 and \$11,411 respectively.

**10. Subsequent Events**

FASB Codification Section 855 *Subsequent Events* (ASC 855) establishes general accounting for and disclosures of events that occur after the balance sheet date but before financial statements are issued or available to be issued. ASC 855 requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. In preparing these financial statements, the Trust has evaluated transactions for potential recognition or disclosure through August 25, 2016, the date the financial statements were available to be issued.



***REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS***

**REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
**Shack Neighborhood House, Inc.**  
Pursglove, WV 26546

I have audited the financial statements of **Shack Neighborhood House, Inc.** (a not-for-profit organization) as of and for the year ended December 31, 2015, and have issued my report thereon dated August 25, 2016. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing my audit, I considered **Shack Neighborhood House, Inc.'s** internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Shack Neighborhood House, Inc.'s** internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.


A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. However, I identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as items 15-01 and 15-02, that I consider to be significant deficiencies in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether *Shack Neighborhood House, Inc.'s* financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board, management, others within the organization and the federal and West Virginia awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

  
August 25, 2016

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OCT 3 2016

Date Received

**SHACK NEIGHBORHOOD HOUSE, INC.**  
**SCHEDULE OF FINDINGS AND RESPONSES**

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For the year ended December 31, 2015

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15-01 Segregation of Duties

Condition: The Organization has a limited number of personnel with responsibility for accounting and financial reporting matters. As a result, there is a lack of segregation of duties over the initiation, authorization, recording, and reporting of transactions and the preparation and review of financial reports by persons sufficiently independent of the transactions.

Criteria: Segregation of duties is a critical piece of the internal control framework. This key internal control element dictates that duties should be aligned so that no one individual controls too many critical aspects of a process or transaction.

Cause: Limited staff decreases the ability to provide for segregation of some accounting processes.

Effect: Increased potential that fraud and abuse could occur.

Recommendation: Responsibility for initiation, authorization, recording, and reporting of transactions should be segregated to the extent possible. Although complete segregation of duties is not feasible given the limited staff available, management has been mindful and resourceful in its efforts to segregate duties and is commended for its efforts. I recommend continued review and assessment in this area of internal control, as this key internal control is vital to ensure errors or irregularities are detected and prevented in a timely basis in the normal course of business. It is incumbent upon the board to remain strong and active; additionally, the board should recognize that its scope of oversight of the internal control system applies to all major areas of control, to include: operations, compliance with laws and regulations, and financial reporting.

Management Response: Management and the board will remain vigilant in their efforts to consider the control environment, assess risks, monitor activities, and improve policies and procedures when deficiencies are identified.

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**OCT 3 2016**

**Date Received**

**SHACK NEIGHBORHOOD HOUSE, INC.**  
**SCHEDULE OF FINDINGS AND RESPONSES**

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For the year ended December 31, 2015

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15-02 Drafting Financial Statements

Condition: The Organization does not have adequate staff to prepare the financial statements in accordance with generally accepted accounting principles (GAAP).

Criteria: Reliable financial reporting requires that financial statements conform with GAAP. Preparing financial statements is the culminating step of financial reporting.

Cause: Limited staff and time decreases the ability to prepare financial statements in conformity with GAAP.

Effect: Increased potential that fraud and abuse could occur.

Recommendation: The Organization should engage the services of a certified public accountant or other professional with the expertise and ability to prepare financial statements in conformity with GAAP, with the understanding that preparing the financial statements in conformity with GAAP includes not only the broad guidelines of general application, but also detailed practices and procedures. GAAP includes pronouncements of authoritative bodies designated by the AICPA to establish accounting principles.

Management Response: It is not cost efficient to hire additional professionals to prepare financial statements in accordance with GAAP.

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***SUPPLEMENTARY SCHEDULE***



**SHACK NEIGHBORHOOD HOUSE, INC.**

**SUPPLEMENTARY SCHEDULES**

December 31, 2015 and 2014

**1. Schedules of West Virginia State Grant Receipts and Expenditures**

West Virginia state grant receipts and expenditures consists of the following for years ending December 31, 2015 and 2014:

State Spending Unit	Agreement Number / Commitment Number	2015	
		Receipts	Expenditures
WVDHHR / Bureau for Children and Families (Maternal Infant Health Outreach)	G160211	\$ 24,026	\$ 28,815
WVDHHR / Bureau for Children and Families (Maternal Infant Health Outreach)	G150209	43,176	44,811
WVDHHR / Bureau for Children and Families (Family Resource Center Program)	G160051	45,024	49,782
WVDHHR / Bureau for Children and Families (Family Resource Center Program)	G150268	<u>70,037</u>	<u>69,855</u>
		<u>\$ 182,263</u>	<u>\$ 193,263</u>

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**Date Received**



**SHACK NEIGHBORHOOD HOUSE, INC.**

**SUPPLEMENTARY SCHEDULES**

December 31, 2015 and 2014

**1. Schedules of West Virginia State Grant Receipts and Expenditures (continued)**

State Spending Unit	Agreement Number / Commitment Number	2014	
		Receipts	Expenditures
WVDHHR / Bureau for Children and Families (Maternal Infant Health Outreach)	G150209	\$ 24,824	\$ 23,189
WVDHHR / Bureau for Children and Families (Maternal Infant Health Outreach)	G140176 / C395360	48,640	49,840
WVDHHR / Bureau for Children and Families (Family Resource Center Program)	G140272 / C399927	62,176	55,008
WVDHHR / Bureau for Children and Families (Family Resource Center Program)	G150268	<u>37,163</u>	<u>37,345</u>
		<u>\$ 172,803</u>	<u>\$ 165,382</u>

***Basis of Presentation***

The accompanying schedules of West Virginia state grant receipts and expenditures includes the state grant activity of Shack Neighborhood House, Inc. and is presented on the modified cash basis of accounting as described in Note 2 of the accompanying financial statements.

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**OCT 3 2016**

**Date Received**